

## Ampersand Momentum CPI Plus 6 Fund of Funds

Assets managed by: Ampersand Asset Management

### Managers corner



#### Meet your managers



**Tom Barlow**  
BCom (Economics), CFA

**Chief Investment Officer**

Tom is the founder and CEO of Ampersand. He is responsible for the portfolio management and key in the decision-making on all portfolios under the management of Ampersand. Tom has more than 20 years' experience in Financial Services, having worked for numerous Investment Management businesses over this time, including Fergusson Bros, BoE Private Bank, Investec Asset Management and GlenrandMIB. Tom has managed and advised on investments on behalf of Retirement Funds, Private Equity Funds, Corporates, Family Offices and Private Individuals.

**Managed portfolio since 12 May 2008**



#### Managers view

##### Market overview

After the "Nenagate" tornado that hit in the fourth quarter of 2015, 2016 has continued to serve up significant surprises, both locally and abroad.

Market volatility combined with geopolitical uncertainty caused material losses in all risk assets in January 2016. This was extremely evident in global developed market equities, global listed property and most emerging market assets. Oil was again under pressure, hitting a low of US\$26/barrel, while most industrial commodities like Iron Ore and Steel also continued to fall.

Yet, on 22 January 2016, an entirely new narrative began, leading to one of the strongest recoveries seen in risk assets over the past 80 years. The US Equity market managed to recoup a 10% loss from the start of the year to the middle of January 2016, ending the first quarter marginally better. Most assets followed suit and ended the quarter up strongly.

Global central banks continued to provide support to the market with the European Central Bank ("ECB") increasing its direct market action by increasing its bond buying program in February. The Bank of Japan ("BoJ") continued its buying spree and has managed to persuade the Japanese Government Pension Fund to provide even more market support through both bond and equity index purchases. After the US Federal Reserve Bank ("Fed") raised interest rates in December 2015, communication turned significantly more dovish during the first quarter and ended with Fed Chairperson, Janet Yellen, indicating a less aggressive interest rate hiking path than the market expected.

On the emerging market front both Chinese and Indian central banks have continued to provide support to their economies either by direct foreign exchange transaction (specifically China), or by lowering interest rates and bank lending requirements.

Domestically, the SARB Monetary Policy Committee continued to increase interest rates in line with expectations to ward off possible rating agency downgrades. The local economy remained under pressure which has reflected in the latest SA Business Confidence Index. The index came in at the lowest level since Q2 2010. Private sector credit extension demonstrated a small improvement but remained well below the previous peak. SA assets did however perform extremely well in both USD and ZAR terms on the back of Rand strength and the risk asset recovery.

##### Portfolio overview

As mentioned earlier, Q1 has been a very volatile quarter for risk assets. The FTSE/JSE All Share Index returned nearly 3.9% for the quarter (on a Total Return basis) but remains below the high achieved on 4 November 2015. Resource stocks were by far the best performing sector returning 18.1%, Industrials returned 7.6% and Financials returned 6.2%. The biggest laggards in the local market were the large cap Rand hedge shares which underperformed on the back of ZAR strength.

Globally, most assets struggled in ZAR terms as the Rand strengthened against the USD (+5.1%), GBP (+7.4%) and the yen (+1.6%), but weakened slightly against the Euro (-0.7%). Rand strength combined with low returns in hard currency terms resulted in most global risk assets generating negative returns for Q1, which is in stark contrast to what has been happening over the past 6 to 12 months.

Global equities lost 4.8% as developed markets struggled. Global property staged a material comeback from the January lows but still ended the quarter down 0.7%. Global bonds did provide some relief returning 1.3% on the back of the dovish outlook from the US Fed and accommodative actions from the ECB and BoJ.

Overall the portfolio had a reasonably difficult quarter on the back of lacklustre global performance as a result of ZAR strength, while our preference for cyclical and attractively valued assets in SA added value in SA Equity.

The portfolio managed to eke out positive returns but lagged the market. This came on the back of strong outperformance during the latter parts of 2015. The Ampersand Momentum CPI+6% Fund of Funds ("CPI 6") generated a return of 0.2%.

If we go back to the latest high achieved on the market on 4 November 2015, the robust nature of our investment approach is clearly visible. The CPI 6 generated a return of 0.8% versus the FTSE/JSE All Share Index that was down -3.3% (on a Total Return basis), over this period.

Over the longer term the portfolio has performed in line with expectations, although marginally underperforming its CPI Plus Objective as at 31 March 2016. Looking at the performance over the relevant time frames, the CPI 6 managed to outperform 10/12 months versus its CPI Plus 6% p.a. objective over all 48 month rolling periods.



## Portfolio positioning

We remain cautiously optimistic and for now we feel that conditions continue to favour risk assets. We continue to prefer growth-orientated assets, especially SA listed property and offshore equities which make up (the two together make up more than 36% of the CPI 6 portfolio). After a 7 year bull market, downside risks to performance are on the rise, especially in more defensive stocks which have performed exceptionally well over this period.

The portfolio remains positioned in risky assets but still well diversified and we have included low-risk exposure through enhanced cash instruments, both locally and offshore. Although we have seen the first move on monetary tightening in the US, we are of the opinion that interest rates will remain on a lower trajectory than the US Fed has indicated. We also see actions from other central banks as positive for the global risk environment although these actions could have long term unintended consequences as central bank actions continue in uncharted waters.

We have to caution that the current environment could result in a slight increase in volatility over the short term, as we expect market volatility and yields to remain unpredictable and prone to surprise.

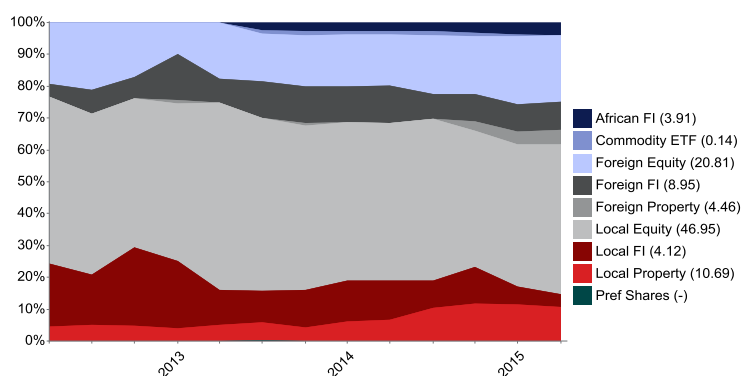
We believe it is in our clients' best interests to remain focused on the long term and seek to invest in assets that have the highest probability of achieving positive real returns. Our philosophy and investment approach has proven to be robust and effective in these challenging times and we believe our investors will continue to reap the benefits going forward.

## Facts and figures



### Holdings

#### Asset allocation (look through)



#### Q1 2016 – Portfolio holdings (%)

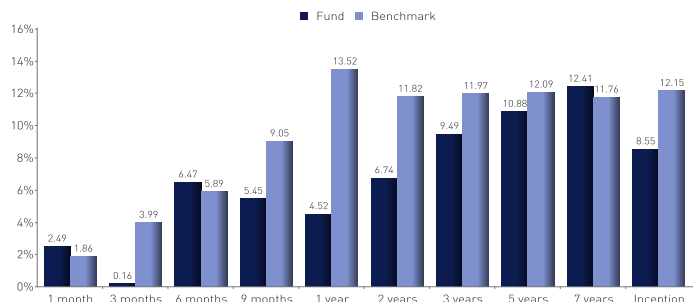
Ampersand Momentum Equity B	50.64
VFPF International Growth IC A	32.80
Ampersand Momentum Flex Property Inc	11.93
Saffron African Yield Opportunity B	3.66
Saffron MET Inflation Linked Bond B	0.69
Saffron MET Inflation Linked Bond ABIL RF	0.14
Local Cash/Money Market	0.14

#### Q4 2015 – Portfolio holdings (%)

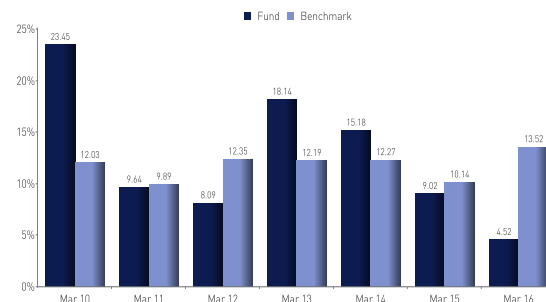
Ampersand Momentum Equity B	47.78
VFPF International Growth IC A	34.10
Ampersand Momentum Flex Property Inc	11.64
Saffron African Yield Opportunity B	3.70
Saffron MET Inflation Linked Bond B	2.45
Saffron MET Inflation Linked Bond ABIL RF	0.13
Local Cash/Money Market	0.20

## Performance

Returns (%)



One year returns (%)



Cumulative for all periods less than 1 year, annualised for all longer periods.

Cumulative returns ending 31 March each year.

Fund: Ampersand Momentum CPI Plus 6 Fund of Funds Class A (Inception 12 May 2008) Benchmark: CPI + 6% (after fees)

Performance is calculated for a portfolio/portfolio class. Individual investor returns may differ as a result of fees, actual date(s) of investment, date(s) of reinvestment of income and withholding tax. Annualised returns, also known as Compound Annualised Growth Rates (CAGR), are calculated from cumulative returns; they provide an indication of the average annual return achieved from an investment that was held for the stated time period. Actual annual figures are available from the Manager on request. Performance figures quoted are from Morningstar, as at 31/03/2016, for a lump sum investment, using NAV-NAV prices with income distributions reinvested on the ex-dividend date. CPI/Inflation figures, where present, are lagged by one month. Cash figures, where present, are STeFI Composite Index returns.

## Information

### Ampersand Momentum CPI Plus 6 Fund of Funds

R 395.69 million

Class	Status	Direct Retail	Cost Ratios				Price, Participatory Interests and AUM			MDD
			TER (%)	TC (%)	TIC (%)	From	NAV Price (cpu)	Units in issue	Size (Rands)	
A	Open	Yes	1.77	0.00	1.78	1 Jan 2013	163.54	143,222,175	234,219,227	
B1	Open	No	1.52	0.00	1.53	1 Jan 2013	163.70	66,717,453	109,215,148	
B2	Open	No	1.41	0.00	1.41	1 Jan 2013	163.76	23,848,245	39,053,871	
B3	Open	No	2.41	0.00	2.42	1 Jan 2013	163.23	7,807,079	12,743,493	
B4	Open	No	3.00	0.00	3.01	1 Jan 2013	162.31	279,730	454,030	

**Class, Status, Direct Retail** - A portfolio may have multiple classes, each of which may be open or closed to new investment, not all classes of a portfolio are available for direct retail investment as the different classes may be designed for/accessible to different investor types.

**Cost Ratios** – The Total Expense Ratio (TER) is the percentage of the net asset value of the class of the Financial Product incurred as expenses relating to the administration of the Financial Product. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. A current TER may not necessarily be an accurate indication of future TER's. The disclosed TERs are shown as an annual percentage based on data for the period from the date shown to 31 December 2015. The Transaction Costs (TC) is the percentage of the net asset value of the Financial Product incurred as costs relating to the buying and selling of the assets underlying the Financial Product. TC are a necessary cost in administering the Financial Product and impacts Financial Product returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Financial Product, the investment decisions of the investment manager and the TER. The disclosed TC is shown as an annual percentage based on data for the period from the date shown to 31 December 2015. The Total Investment Charges (TIC), the TER + the TC, is the percentage of the net asset value of the class of the Financial Product incurred as costs relating to the investment of the Financial Product. It should be noted that a TIC is the sum of two calculated ratios (TER+TC). The TER and TC have been calculated using historical actual and/or estimated data and are provided solely as an indication/guide as to the annual expenses/costs that could be incurred. These ratios do not represent any current/actual charges or fees.

**Price, Participatory Interests and AUM** - Data as at 31 March 2016

**MDD** – CIS regulations require a minimum disclosure document (MDD) to be compiled for all CIS portfolios, which must be viewed by an investor at point of sale. A link to the MDD that corresponds to the date of this QIR has been provided in the table above (for the relevant class of the portfolio) and we recommend that you review the MDD for further details on this portfolio.

## Important information



### Disclosures

#### Portfolio

Ampersand Momentum CPI Plus 6 Fund of Funds is a third party named CIS portfolio, the assets of which are administered by Ampersand Asset Management (Pty) Ltd, registration number: 2007/006571/07, a registered financial services provider, FSP number: 33676. The Manager retains full legal responsibility for all third party named CIS portfolios under the Momentum Collective Investments Scheme.

Ampersand Momentum CPI Plus 6 Fund of Funds is a Fund of Funds CIS portfolio. A Fund of Funds, apart from assets in liquid form, consists solely of participatory interests in portfolios of CIS, which may levy their own charges, which could result in a higher fee structure for Fund of Funds than some other forms of CIS portfolios.

The fund is permitted to invest in foreign securities which, within portfolios, may have additional material risks, depending on the specific risks affecting that country, such as: potential constraints on liquidity and the repatriation of funds; macroeconomic risks; political risks; foreign exchange risks; tax risks; settlement risks; and potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk.

#### Collective Investment Schemes (CIS)

Momentum Collective Investments (RF) (Pty) Ltd (the "Manager"), registration number 1987/004287/07, is authorised in terms of the Collective Investment Schemes Control Act (CISCA) to administer Collective Investment Schemes (CIS) in Securities. The Manager is the manager of the Momentum Collective Investments Scheme, and MMI Holdings Ltd is a full member of the Association for Savings and Investment SA. Standard Bank of South Africa Limited (+27 (0)21 441 4100 PO Box 54, Cape Town, 8000) is the trustee of the scheme. Ampersand Momentum CPI Plus 6 Fund of Funds is a portfolio of the Momentum Collective Investments Scheme and Ampersand Asset Management (Pty) Ltd, registration number: 2007/006571/07, an approved financial services provider (FSP) under the Financial Advisory and Intermediary Services Act (No. 37 of 2002), FSP number: 33676, is responsible for managing the assets of this portfolio. CIS are generally medium to long-term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. CIS are traded at ruling prices and can engage in borrowing and scrip lending. The CIS may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Different classes of units apply to portfolios, which are subject to different fees and charges. A schedule of fees and charges and maximum commissions is available on request from the Manager. The Manager reserves the right to close and reopen certain portfolios to new investors from time to time in order to manage them more efficiently in accordance with their mandate. Portfolios are valued daily at approx. 15h00, latest prices can be viewed at [www.momentuminv.co.za](http://www.momentuminv.co.za). Forward pricing is used. Instructions must reach the Manager before 14h00 to ensure same-day value. The Manager does not provide any guarantee, either with respect to the capital or the return of this portfolio. Additional information on the proposed investment can be obtained, free of charge, at [www.momentuminv.co.za](http://www.momentuminv.co.za) or may be requested from the Manager.

Although all reasonable steps have been taken to ensure the validity and accuracy of the information in this document at time of publication, the Manager does not accept any responsibility for any claim, damages, loss or expense, howsoever arising, out of or in connection with the information in this document, whether by a client, investor or intermediary.

This document should not be seen as an offer to purchase any specific product and is not to be construed as advice. Investors are encouraged to obtain independent professional investment and taxation advice before investing with or in any of the Manager's products.



### Contact details

#### Scheme

**Momentum Collective Investments Scheme**

#### Custodian/Trustee

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**Registration no.:** 1987/004287/07

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